

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF) APPEAL NO. 07-A-2687
PROVIDENT FUNDING ASSOCIATES, LP from the) FINAL DECISION
decision of the Board of Equalization of Valley) AND ORDER
County for tax year 2007.)

RESIDENTIAL PROPERTY APPEAL

THIS MATTER was heard on the written record created by the parties. Board Members Lyle R. Cobbs, Linda S. Pike, and David E. Kinghorn participated in this decision. Appellant Provident Funding Associates, LP provided written information for consideration. Respondent Valley County also submitted written information. This appeal is taken from a decision of the Valley County Board of Equalization denying the protest of the valuation for taxing purposes of property described as Parcel No. RP00327000035BA.

The issue on appeal is the market value of an improved residential property.

The decision of the Valley County Board of Equalization is reversed.

FINDINGS OF FACT

The assessed land value is \$3,208,040, and the improvements' valuation is \$1,993,850, totaling \$5,201,890. Appellant requests the total value be reduced to \$4,600,000.

Appellant purchased subject in October 2006 for \$3,600,000. It is a 1.05 acre lot with 210 feet of waterfront on Payette Lake. Subject includes two residences. The main residence was built in 1975 and remodeled in 1990 with a total of 4,824 square feet and a 1,080 square foot attached garage. Included in the value of the improvements are two decks, a hot tub, a stone covered entryway, stone patio and balcony deck, totaling \$1,547,500 or \$320.79 per square foot. Other improvements include two detached garages, a multi-purpose shed, two carports, concrete and a built in barbeque, totaling \$129,120.

A second residence was built in 1997 with 1,597 square feet of finished area. Included

with this residence was a deck, hot tub, stone patio, and gable extension, totaling \$286,350 or \$179.30 per square foot. Other improvements include docks valued at \$30,880.

Appellant advocated a reduced market value of \$4,600,000, as indicated in a fee appraisal ordered by JPMorgan Chase Bank, dated May 14, 2007. The fee appraisal included four sales and an active listing. The properties ranged in price from \$1,650,000 to \$4,100,000. All were waterfront properties with custom designed residences which ranged between 2,162 and 5,347 square feet of gross living area. According to the fee appraisal, the property most similar to subject sold for \$2,750,000 and consisted of 2.14 acres with 242 feet of lake frontage.

Taxpayer asserted market values for high-end vacation properties, such as subject, have declined in many geographic areas. Appellant stated these declines are further influenced by turmoil within the mortgage market, which has caused a significant reduction in liquidity for jumbo loans, making such loans difficult to attain. This in turn, was argued to further reduce values of high-end vacation properties, such as subject.

The Assessor stated the assessed value for subject was based on data from sales of similar property. Subject's high market value was argued to be the result of Payette Lake having a limited number of available lakefront parcels. Subject's value was argued to be further enhanced because of its views of the lake and nearby mountains.

Respondent examined ten (10) sales of lakefront properties to develop the valuation model that was used to assess all lakefront land. It was determined the "standard" lakefront lot had 100 front feet and 225 feet of depth. Respondent explained adjustments are applied to account for characteristics unique to each lakefront site. Subject's dimensions made it a "non-standard" lot, so a 23% downward adjustment was applied to the land value.

The Assessor presented four improved residential sales to support the assessed value

of subject's main residence. The sale prices ranged between \$1,870,000 and \$2,800,000. Subject's main residence was valued at \$1,993,850.

Respondent also presented five additional sales to support the assessed value of subject's second residence. The sale prices ranged between \$530,000 and \$635,000. Subject's second residence was valued at \$317,320.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho requires property be assessed at market value for property tax purposes, as defined in Idaho Code § 63-201 (10):

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Respondent valued subject using a model developed for lakefront parcels. The standard lakefront lot on Payette Lake was determined to have 100 front feet with 225 feet of depth. With 210 front feet, subject was considered a non-standard lot, so a 23% downward adjustment was applied.

Appellant provided an appraisal report dated May 14, 2007, that compared subject to four (4) lakefront property sales. Three (3) sales occurred during 2006 and one during 2007. The prices ranged between \$1,650,000 and \$4,100,000. Adjustments were made for differences

compared to subject. This resulted in adjusted sales prices between \$3,935,000 and \$4,767,000.

State law requires property be valued on January 1 of the applicable tax year; January 1, 2007 in the present case. See Idaho Code § 63-205. The appraisal report is dated May, 14 2007, which is well beyond the statutory lien date. As such, the final conclusion reached in the report cannot be relied upon as evidence of subject's value on January 1, 2007. Similarly, the 2007 sale contained in the report cannot be considered for purposes of this decision.

The 2006 sales, on the other hand, are timely and can be examined to value subject. These sales involved properties that sold between \$2,900,000 and \$4,100,000. Adjustments were made to account for differences compared to subject to arrive at adjusted sale prices between \$3,935,000 and \$4,767,000.

Respondent presented four (4) improved lakefront sales to support subject's assessment. Interesting is the fact that subject's October 2006 purchase price of \$3,600,000 is one of Respondent's reported sales. Subject's total assessed value is \$5,201,890, which is approximately 44.5% above its October purchase price. While some appreciation might be expected given subject's unique characteristics and lakefront location, a 44.5% increase in three months was not well supported. In fact, subject's assessed value is more than double any sale price reported by Respondent. The County did not question subject's purchase (i.e. distressed sale) or otherwise explain why subject was assessed so much higher than its October 2006 purchase price.

The highest 2006 sale price included in Appellant's appraisal report was \$4,100,000, which after adjustments was estimated to be \$4,767,000. Respondent's highest reported price was subject's October 2006 purchase for \$3,600,000. Appellant has asked the Board to reduce

subject's total value to \$4,600,000. This is \$1,000,000 more than subject's October 2006 purchase price and well above any other sale price reported by Respondent. Given the evidence presented in this matter, Appellant's value position is more reasonable and better supported. Appellant has convinced this Board by a preponderance of the evidence that subject was over-valued. Accordingly, the Board will reverse the decision of the Valley County Board of Equalization and reduce subject's total value to \$4,600,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Valley County Board of Equalization concerning the subject parcel be, and the same hereby is, reversed, lowering the total assessed value to \$4,600,000.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

MAILED April 3, 2008